

Tempe City Council Mill and Lake District Committee

Thursday, January 27, 2011
3:30 PM

Harry E. Mitchell Government Center
Tempe City Hall - City Council Chambers
31 East 5th Street, Tempe, Arizona

1. **Public Appearances** - The committee welcomes public comment. According to the Arizona Open Meeting Law, the Committee may only discuss matters listed on the agenda. Matters brought up by the public under public appearances that are not listed on the agenda cannot be discussed by the Committee. A 3-minute limit per person will be in effect.
2. Government Property Excise Tax Lease Agreement (GPLET)
3. Development Vision for Mill Avenue and Town Lake
4. Future Agenda Items
5. Future Meeting Date(s)
6. Announcements

The City of Tempe endeavors to make all public meetings accessible to persons with disabilities. With 72 hours advance notice, special assistance can also be provided for sight and/or hearing impaired persons at public meetings. Please call 350-2905 (voice) or 350-2750 (TDD) to request an accommodation to participate in this meeting.

Item # 2

Mill/Lake District Council Committee

1/27/11

Revised

Government Property Lease Excise Tax (GPLET)



Value of properties

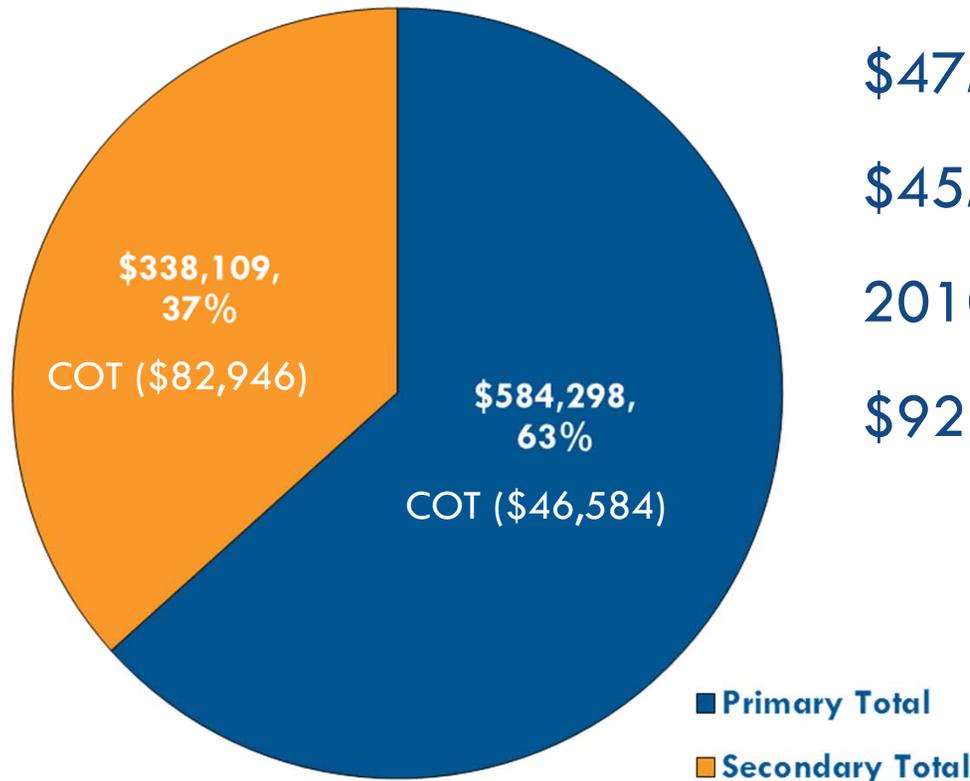
- 'Market Value'
- Full Cash Value (FCV)
 - Assessor's estimate of market value.
 - FCV used to calculate taxes for voter approved bonds, budget overrides and certain special districts
- Limited Property Value (LPV)
 - legislatively established value
 - limits the amount of increase
 - assessments based on LPV are used for operations and maintenance

Assessment ratios

- Based on 'Legal Class of Property'
 - Class One (Commercial)
 - Class Two (Vacant Land, Agriculture, Exemptions)
 - Class Three (Owner Occupied Residential)
 - Class Four (Residential Rentals, Common Areas)
- Percentage of FCV and LPV used for tax calculation
 - Residential (Legal Class 3 & 4) - 10%
 - Commercial (Legal Class 1) - 20%
 - Land (Legal Class 2.R) - 16%

Real Property Tax

Property Tax Totals



Typical Commercial Building

\$47M Full Cash Value

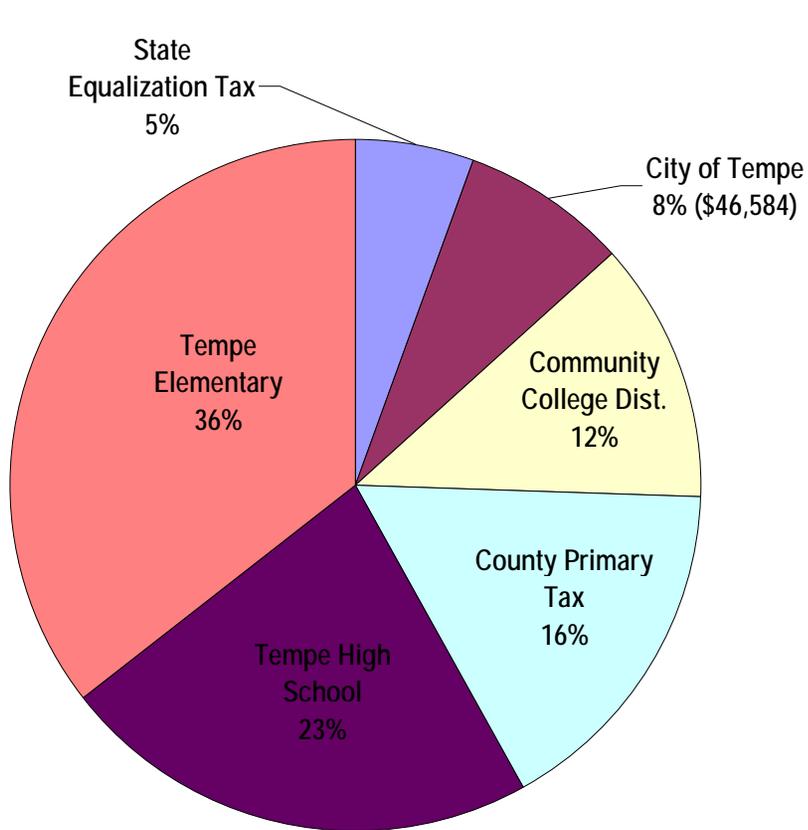
\$45M Limited Prop. Value

2010 levies

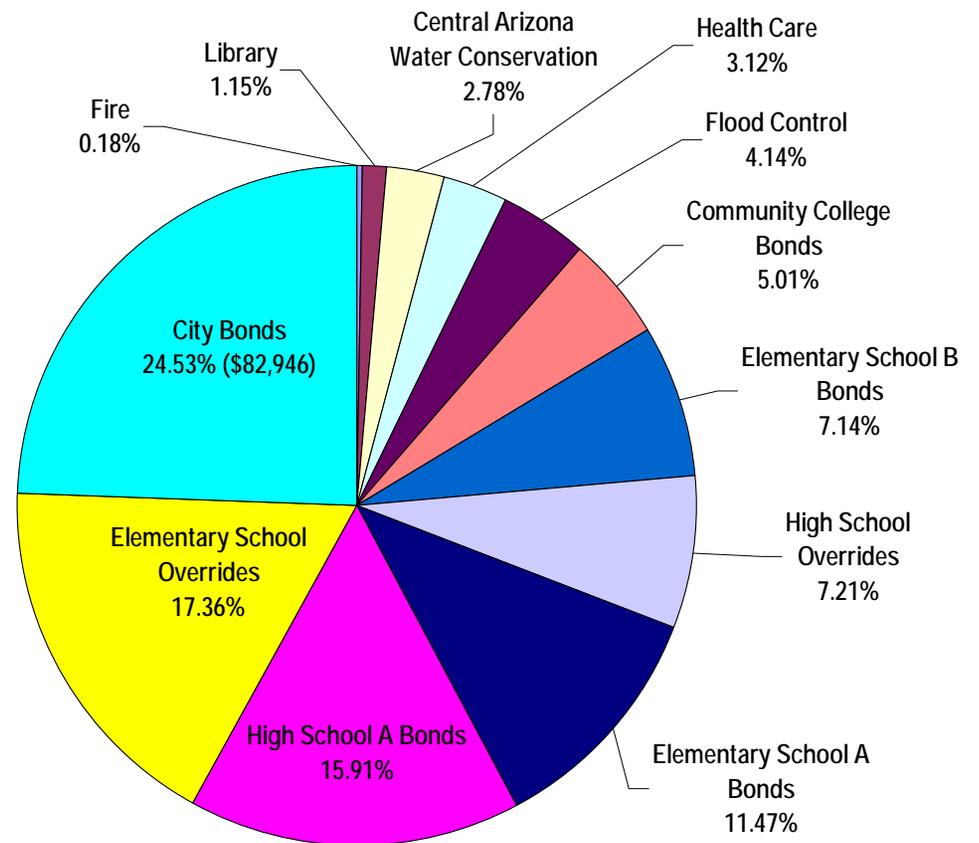
\$922,407 total taxes

Class 'A' Property tax averages \$2.74/sq.ft.

Where the money goes



Primary (\$584k)



Secondary (\$338k)

History

■ Back in the ‘old days’

- possessory interest tax (PIT) passed in 1985
- valued (unsecured personal property)
- repealed in 1995

■ Then there was GPLET (1996)

- based on size and use of building
- imposed by any city, town, county, or county stadium district
- rate became more valuable over time as property values increased
- used by many municipalities as an economic development tool

■ And now there is HB 2504 (2010)

- raised the rates and how they change over time
- introduced reporting and ‘regulatory’ requirements

Examples of GPLET rates*

Type of Property	Existing GPLET Rate	New GPLET Rate
8 or more Story Office Buildings	\$1.75 per square foot	\$3.10 per square foot
Retail or Hotel/Motel Buildings	\$1.50 per square foot	\$2.51 per square foot
Residential Rental Buildings	\$0.50 per square foot	\$0.76 per square foot
Parking Garages	\$100 per parking space	\$200 per parking space

*The City collected \$656,329.38 in GPLET payments for 2010. The revenue from the payments will be distributed in the following manner:

Tempe Elementary	36.5%
Tempe Union	36.5%
County	13.0%
Community Colleges	7.0%
COT	7.0% (\$45,943.05)

GPLET rates over time

- GPLET deals for existing and grandfathered leases become more beneficial over time

10 to 20-year-old C of O	80 percent of the rate
20 to 30-year-old C of O	60 percent of the rate
30 to 40-year-old C of O	40 percent of the rate
40 to 50-year-old C of O	20 percent of the rate
50 or more year-old C of O	no tax

All 'new' leases (HB2504)	Producer Price Index for New Construction (ADOR)
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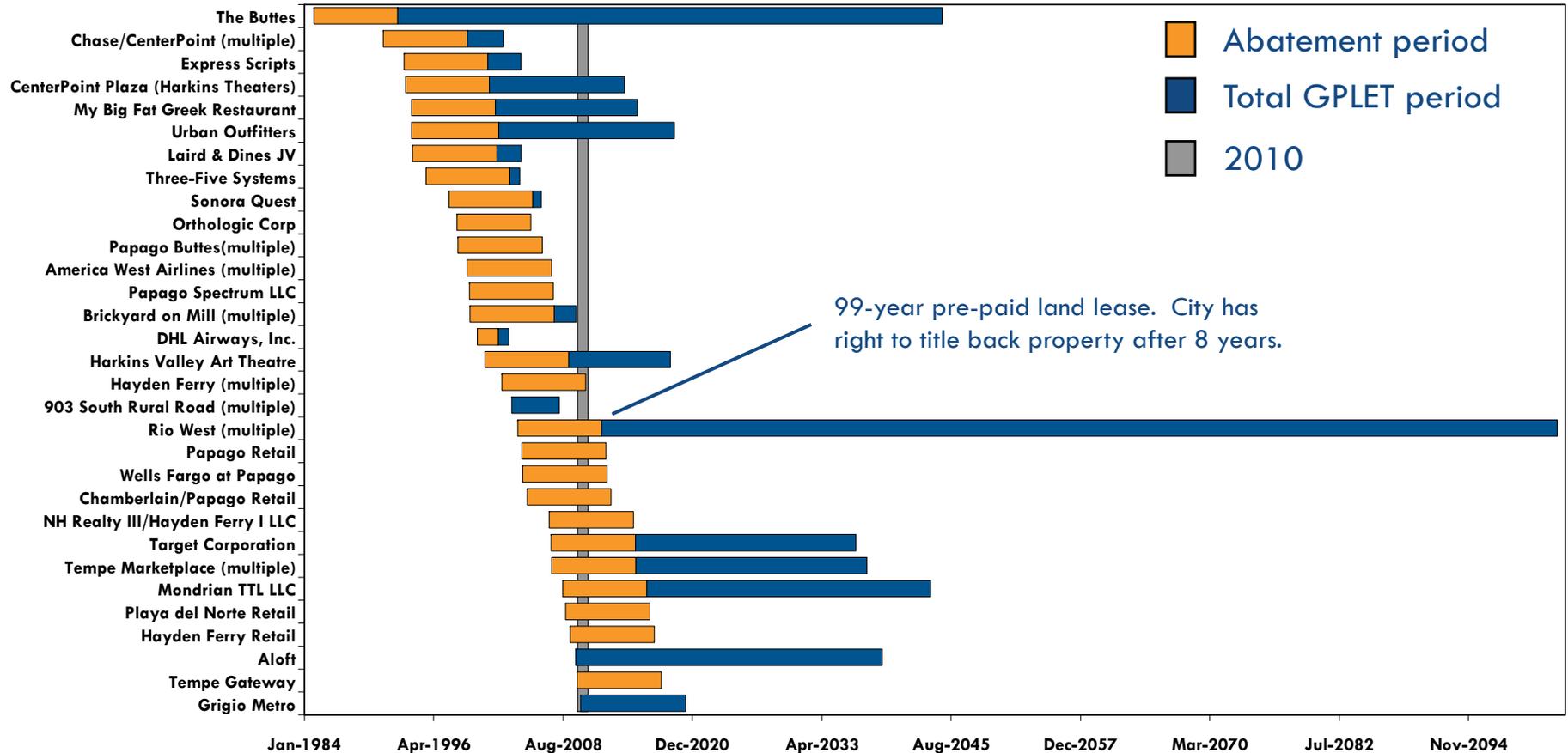
Abatement of GPLET

- The GPLET may be ABATED for 8 years from the original C of O if the following requirements are met:
 - The improvement is located in a single central business district in a “slum or blighted area” and is subject to a lease or development agreement entered into on or after April 1, 1985.
 - The government property improvement resulted or will result in an increase in property value of at least 100 percent.

Mechanisms of GPLET leases

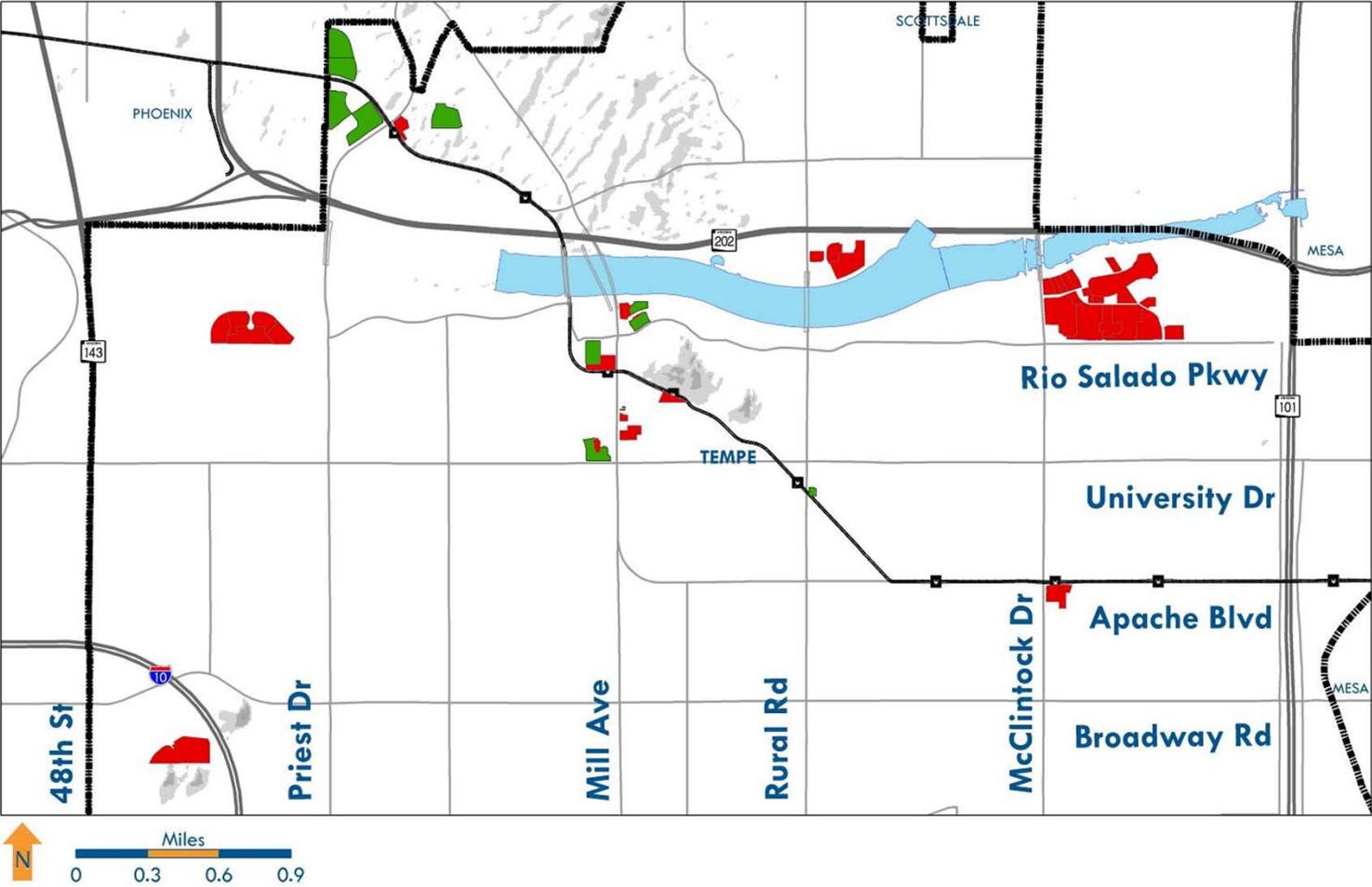
- City-owned land
 - negotiated lease terms, may be an RFP
 - lease time-frame
 - purchase option/improvements and land retained by COT
 - COT may abate GPLET for 8 years from C of O or levy the rate
- Developer owned-land
 - negotiated terms included in DDA
 - property is conveyed (titled to) COT
 - COT then leases property to owner/developer
 - COT may abate GPLET for 8 years from C of O or levy the rate
- City owned building with commercial tenants
 - Urban Outfitters, My Big Fat Greek, Dixon Golf

Timeline

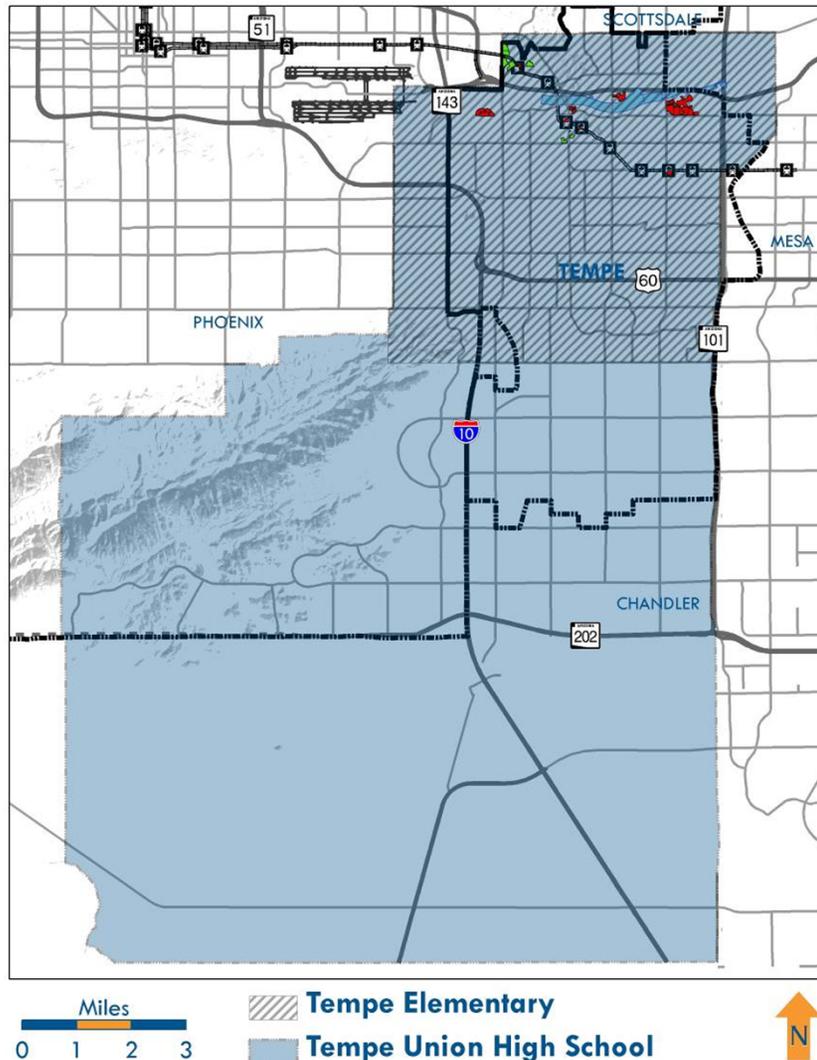


Only one entry has been shown for projects with multiple leases (e.g. Chase, Tempe Marketplace, America West and Hayden Ferry Lakeside) and only leases that are subject to the GPLET are shown

GPLET properties (active and inactive)

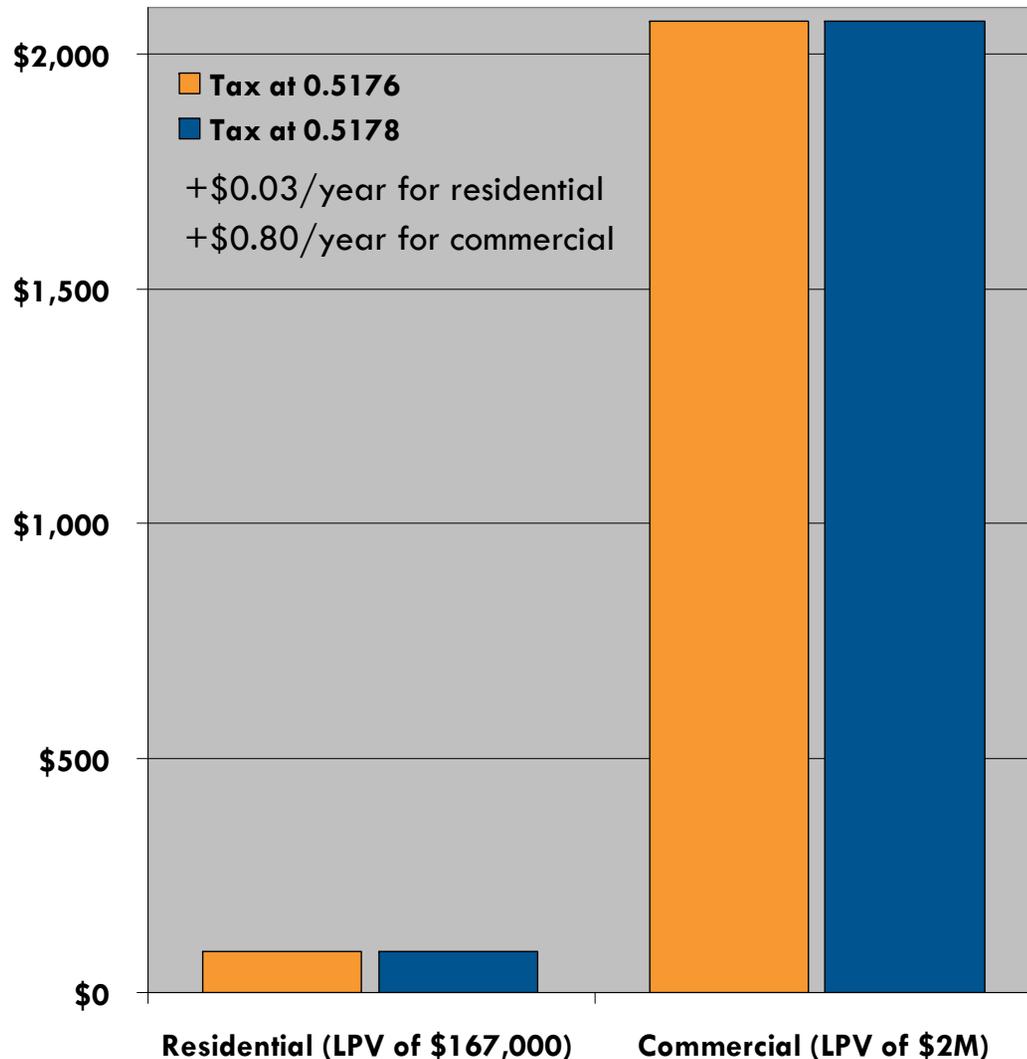


What about the schools?



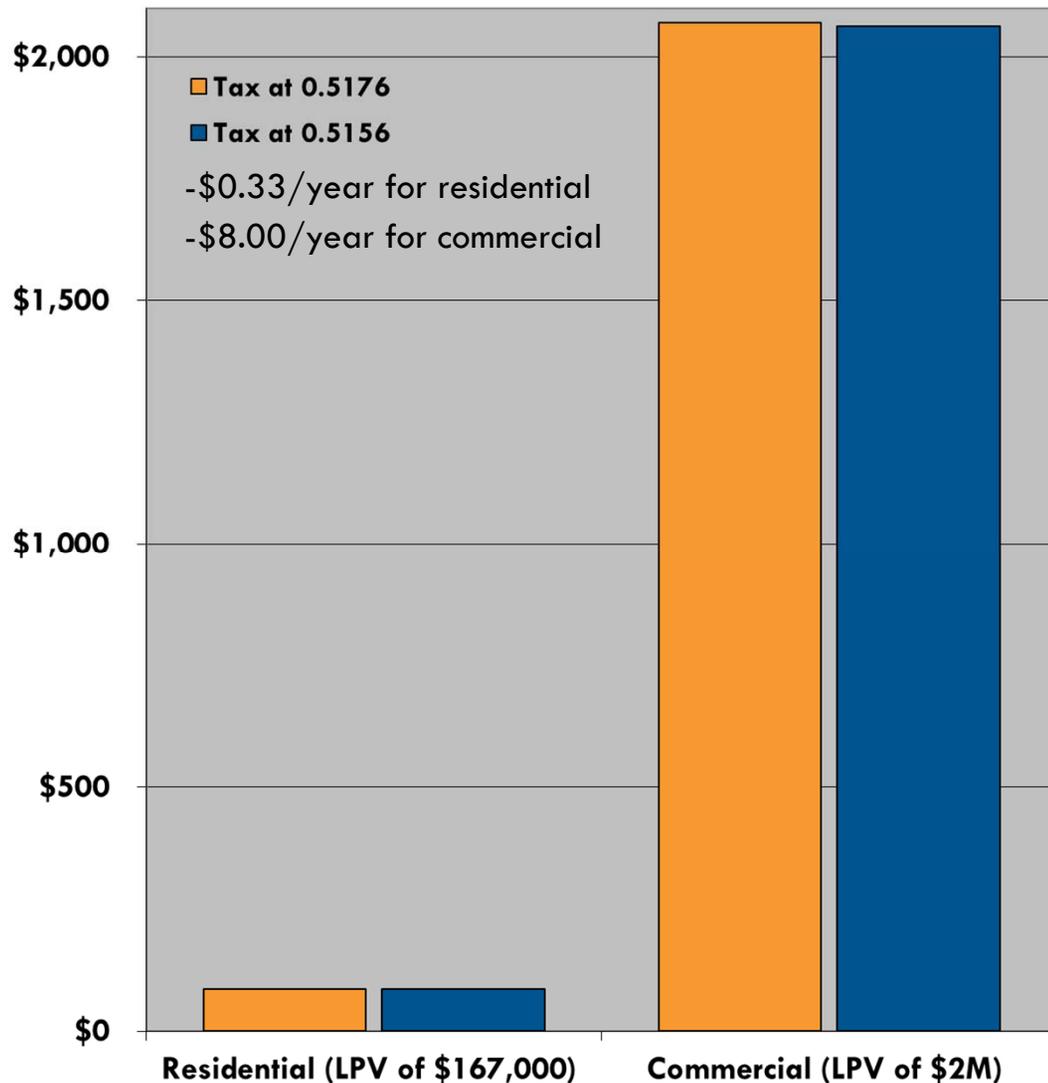
- GPLET deals in Tempe cause the rates below to increase — keeping revenue intact
- TD3, **2.3099** on \$1.95B
~45.0M in revenue
- TUHSD, **1.4649** on \$4.37B
~64.0M in revenue
- Examples are for primary rate

How a single deal affects COT



- GPLET for typical property (dirt) with an LPV of \$4.3M
- COT Net Primary Assessed Value decreases by \$753,544
- Increased primary rate is city-wide
- Assumes constant valuation and no new property
- Current COT primary rate is **0.5176** on \$2.36B ~\$12.2M in revenue

When the GPLET deal ends



- Property has an LPV of \$45M
- COT Net Primary Assessed Value increases by \$9.0 M
- Decreased primary rate is city-wide
- Assumes constant valuation
- Current COT primary rate is **0.5176** on \$2.36B
~\$12.2M in revenue

Back on the tax roles



■ America West

- minimal tax collected prior to building
- **8-year abatement (1999)**
- **Estimated \$5.6 M in savings**
- **GPLET ended in 2007**
- **\$48.6M 2010 FCV**
- **Averaged \$850k/year in property taxes after GPLET**
- **COT averaged \$116k/year**
- **New jobs and lease tax**

Back on the tax roles



Hayden Ferry Lakeside (Phase 1 and Garage)

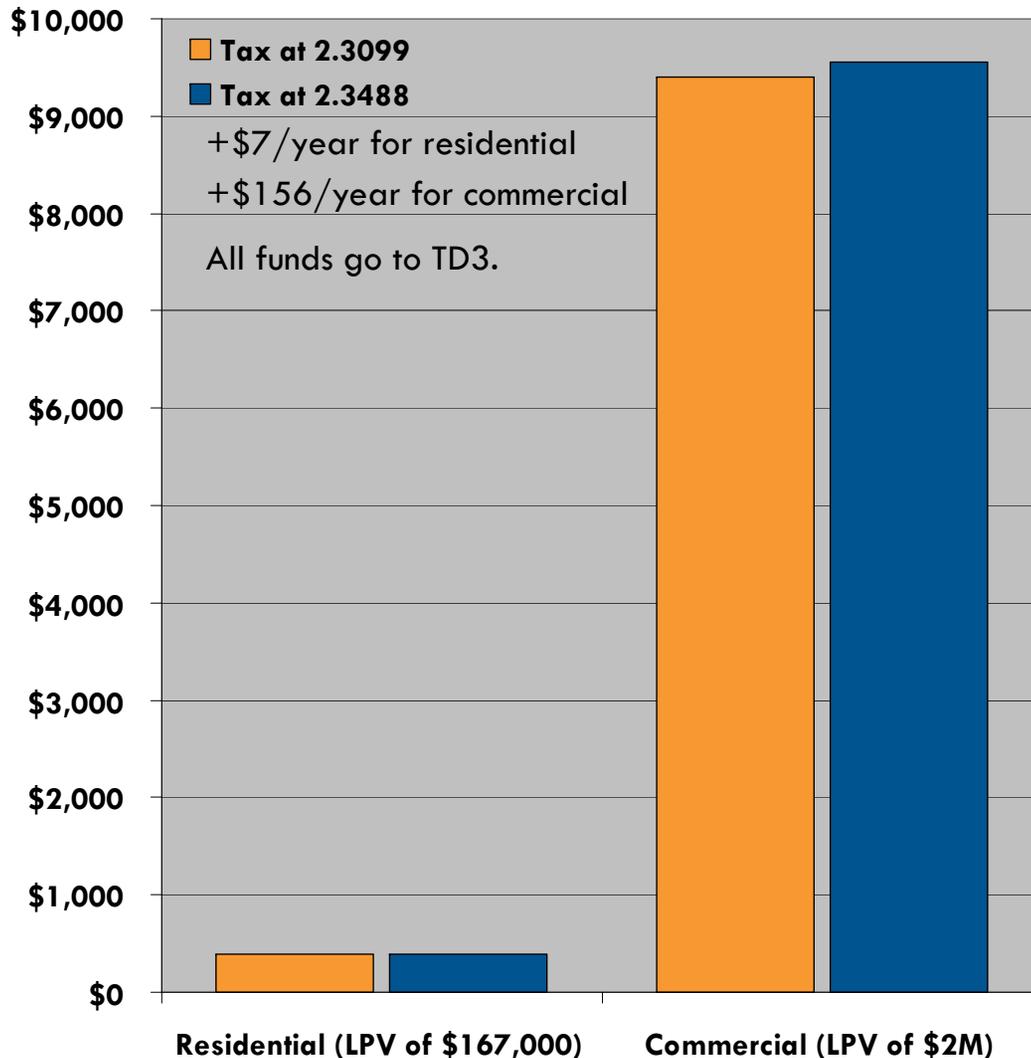
- almost no tax before 2002
- **8-year abatement**
- **Estimated \$6.3 M in savings**
- **GPLET ended in 2010**
- **\$78.9M 2010 FCV**
- **Will pay \$1M in property taxes per year**
- **COT will get +/- \$140k**
- **Jobs and lease tax**

Questions





Results of changes to ARS15-971



- GPLET valuation of \$53,353,570
- Reduces amount of equalization funding
- Primary tax rate is raised to account for funding loss
- Increase is district-wide
- Assumes constant valuation and no new property

State Equalization payments

- TUHSD ~2% Equalization Assistance (\$1.8M/\$73M)
- TD3 ~**29%** Equalization Assistance (\$27/\$92)
- And now...ARS 15-971. Determination of equalization assistance payments from county and state funds for school districts
 - “For the purposes of this subsection, ‘assessed valuation’ includes the values ... and the assessed value of all property subject to the **government property lease excise tax...**”
- State Equalization Tax, **0.3564**

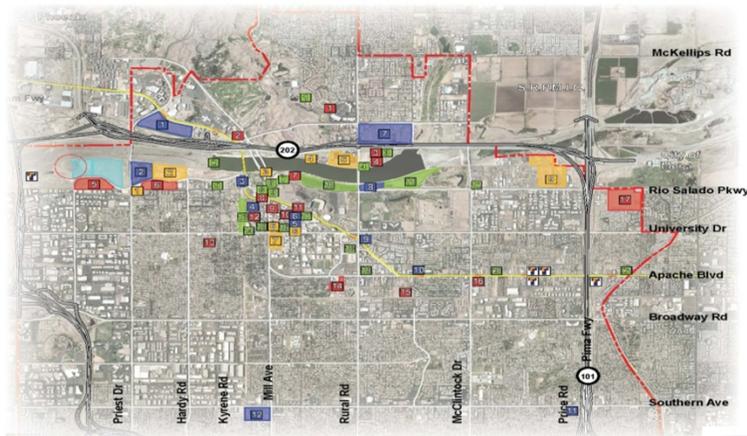
Trajectory of Growth: near term strategies to support a long range vision



Buildings existing and proposed



Mindset of 2007



Tempe in Progress 2008
January 2008



UNDER CONSTRUCTION

- 1 Sotelo Lofts
- 2 Papago Gateway
- 3 Aloft Hotel
- 4 Grigio
- 5 Rio West (Suncor)
- 6 Riverside Office Plaza
- 7 Hayden Ferry Lakeside Bridgeview
- 8 Tempe Gateway
- 9 5th and Mill Building
- 10 Residence Inn at City Hall
- 11 Transit Center
- 12 Centerpoint Condominiums
- 13 Childsplay at Mitchell School
- 14 ASU South Campus Housing
- 15 Newberry Terrace
- 16 Arete / Park & Ride
- 17 Villaggio

POTENTIAL PROJECTS

- 1 The Grand
- 2 Commercial / Hotel
- 3 Sussex Property
- 4 Hayden Square West Redevelopment
- 5 NWC 6th Street & College Ave.
- 6 Block 12
- 7 County Island
- 8 ASU 9 Acres
- 9 8th & Rural Redevelopment
- 10 Apache / Dorsey TOD Mixed Use
- 11 Michaels Plaza
- 12 Danelle Plaza

APPROVED

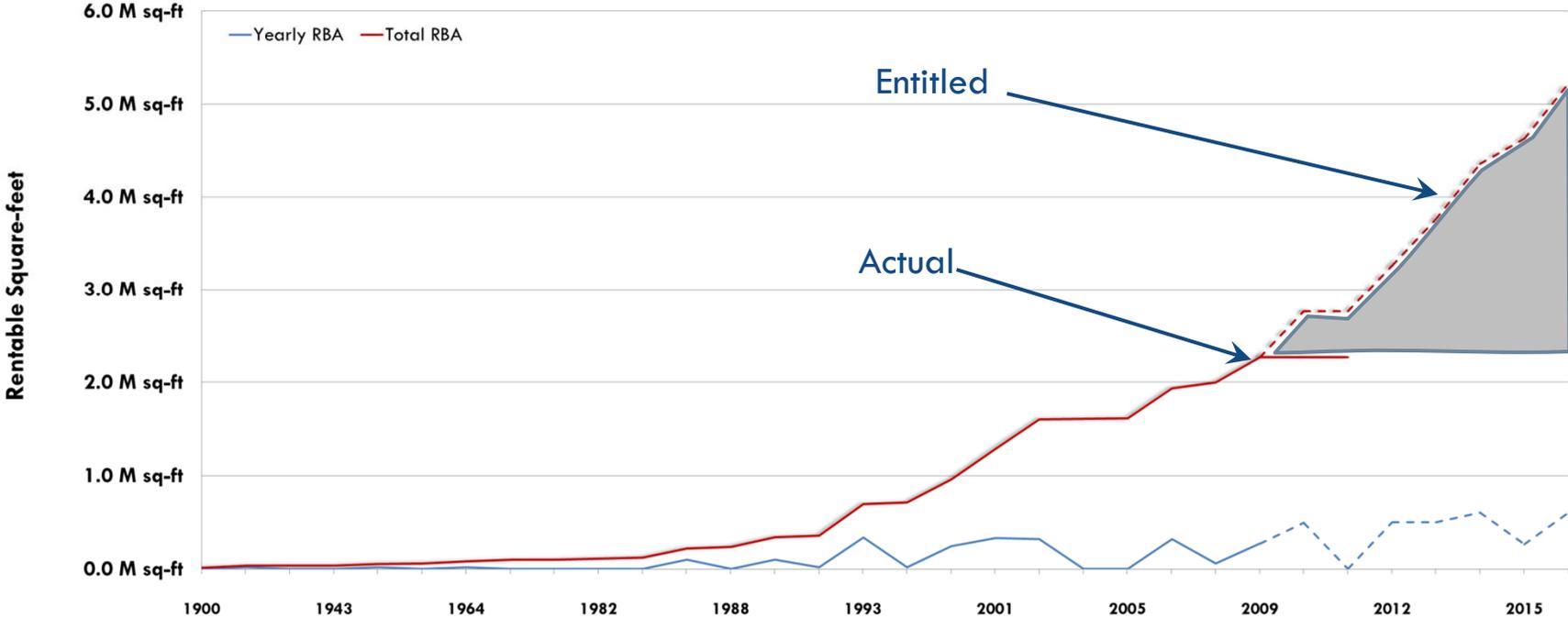
- 18 Eisendrath Rehab
- 19 West Pedestrian Bridge
- 20 Playa Lot 6 Office
- 21 Onyx
- 22 Residences at the Arts Park
- 23 Hayden Ferry Lakeside Office #3
- 24 Le Meridian
- 25 100 Mill
- 26 Hayden Flour Mill Redevelopment
- 27 Hayden Ferry Lakeside East
- 28 The Pier
- 29 Hotel at Marketplace
- 30 Farmer Arts District
- 31 Mosaic
- 32 On Mill
- 33 University Square
- 34 Lumina
- 35 AZ Bio-Design Institute
- 36 Campus Edge
- 37 Campus Suites on the Rail
- 38 Apache ASL Trails

PENDING APPROVAL

- 39 Tempe Landing
- 40 Elements at TCA
- 41 Park Between the Bridges
- 42 Boathouse & Welcome Center
- 43 Boardwalk West / Club Rio
- 44 7th and Mill
- 45 ASU Arts & Business Gateway
- 46 Newman Center Residential
- 47 Tempe Marketplace Phase II

Office sector

Amount of Office Product



Downtown concept 2020

